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SIPDIS

SENSITIVE

STATE FOR PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [FR](#)

SUBJECT: FRANCE: BLUE LANTERN LEVEL 1: LICENSE NOS. 883933, 901272, AND 915708 END-USE CHECK ON MINIATURE INTEGRATED GPS/INS SYSTEMS DELIVERY TO FRENCH FIRM "M.C.E."

REF: (A) 05 STATE 45595

(B) 05 PARIS 242

(C) 04 STATE 155368

(D) various Belon/Dade emails July-November 2004

1. (SBU) As requested in ref A, post provides the following overall review as documentation concerning MCE's behavior in the Systron Donner C-MIGITS export of integrated robotic systems. Much of this information has already been sent to PM/DTCC in e-mail format. PM/DTCC should note that following coordination at post between Blue Lantern Coordinator and ICE agent in November 2004, an ICE/Paris case file was opened (file number PA-03-TV-05-PA-0001 Blue Lantern License Check Case) and ICE/Paris has since been in contact with French Customs, which is actively investigating the case. (See also para 19 below.) With respect to the Blue Lantern license check, this report should serve as a final reporting cable on the history of this Blue Lantern case, as was suggested ref A.

2. (SBU) Post has been in contact with French firm "MCE" on numerous occasions, as was mentioned in ref B. Company executives were courteous, but generally uncooperative in providing details requested and refused to arrange any site visit to view the miniature integrated GPS/INS systems in question. Following is a chronological description of our contacts with MCE company executives:

3. (SBU) Following receipt of ref C on July 16, 2004, and as reported ref D, acting Blue Lantern action officer contacted the company to be told that the units in question were still the property of MCE, but were currently in the immediate possession of clients for testing and so were not available for viewing at MCE facilities. EmbOff spoke by phone with MCE manager Albert Charie in an effort to arrange a quick visit to the MCE company site, which is about four hours south of Paris, near Bordeaux. Charie said that three sets of three units each were used in each of the systems that were with clients for testing (i.e. nine units out for testing in three systems). The tenth unit was broken and was to be returned to BEI Systron, the U.S. supplier, for repair "within the next few days." He further said that of the three systems that were with clients, two of the clients were in France and one was in Spain with a French company. When EmbOff asked for the names of these client companies testing the systems, Charie politely declined saying that he had been "burned" in the past, notably by U.S. companies, by sharing his client list and having his clients stolen from him. When asked why he had allowed one of the units to be taken to Spain, Charie said that he sends them for trials only to clients within the European Union. Being the beginning of summer vacation season in France, Charie advised that he would be away for the following two weeks, but follow-up questions could be addressed to another company representative.

4. (SBU) On July 22, 2004, PM/DTCC requested by e-mail that post try to get the names of those three clients, "either from him (Charie) directly or wait until he comes back from vacation." PM/DTCC explained that the potential diversion issue concerned a non-European country and they were relieved to learn that the units were (reportedly) still in Europe. However, PM/DTCC further informed post that Charie's claim that he could not reveal his client list for fear of losing to a competitor was not applicable here, as he would be sharing the information with the USG, which cannot take privileged business information from one firm and pass it to another.

5. (SBU) In mid-August 2004, post Blue Lantern action officer spoke by phone to Mr. Charie again. He again resisted giving the names and addresses of his clients, where the equipment was still being held for testing. EmbOff tried to assure him that the USG would not share sensitive business information -- including client names -- obtained from one company with any other company, but he still refused. Charie was worried that the USG would tell his supplier, BEI Systron, the names of his clients and they might attempt to cut him out of the business to deal directly with his clients.

6. (SBU) At this point, Charie admitted that he was attempting to resell the equipment, but he assured EmbOff that he would not resell to anyone on the USG list of "prohibited countries",

which he said he had gotten from the internet. He said that he was talking with only one potential buyer outside of Europe. Responding that it was unclear which list he meant, Emboff emphasized that such verbal assurances were not good enough. Emboff reminded Charie that he had signed an export license, which clearly stated (1) non-transfer was a condition of the sale and (2) approved end-use was not resale but rather research and development by MCE. Charie then said that it was always his intent to resell the equipment and that he had never hid that fact. Emboff offered to make inquiries to Washington to ask what was the proper procedure for requesting permission to resell these controlled items.

17. (SBU) In the meantime, in lieu of visiting MCE's clients to view the equipment, Emboff suggested -- and Charie grudgingly agreed -- that MCE collect all of the equipment back at the MCE facility so that Emboff could make a site visit to view the items there. Like many French firms, MCE was closed for the entire month of August, but Charie implied that a site visit could be arranged within a month or so. Emboff promised to get back to MCE in early September 2004 with information on the procedure to request resale permission and/or change of intended end-use and to schedule a site visit.

18. (U) In late August, PM/DTCC requested by e-mail that Emboff arrange to view all ten BEI Systron Donner items back at the MCE plant in September. PM/DTCC explained that it was not uncommon for foreign parties to "change-up", and do something different with the U.S.-licensed goods, once they have arrived in country, and were incorporated into another defense item or -- as in the MCE case -- into a quasi-defense robotic item. This is not a violation of USG rules and regulations, unless they retransfer the item without informing the USG of the change of ownership. If MCE were to propose a third party sale, it must wait for a written decision by return correspondence from the USG.

19. (SBU) On September 14, Emboff again spoke with Mr. Charie to explain procedures for retransfer requests as detailed by PM/DTCC. Emboff made the call believing that her side of the bargain was to find and relay this information, while his was to facilitate a site visit to view all ten miniature integrated GPS/INS systems back at the MCE facility, as agreed earlier. However, at this point, Charie said that he did not think it would be possible for an Embassy representative to view the equipment at the MCE site, as the equipment was still with clients. He still refused to give out the names or addresses of those clients with whom he was actively negotiating the potential resale of the equipment. Charie claimed that all ten systems were in France, but with various clients for testing and evaluation.

110. (SBU) Charie then explained in general terms the status of the ten systems: One was destroyed by a client in transit, when a truck that was carrying it allegedly ran off a cliff in central France. He considered trying to have it repaired, but the client said that it was too badly damaged. Emboff warned that U.S. officials would view the disappearance of one of the units as suspicious, noting that, without proof, it was difficult to be sure the unit was not in the hands of a country of concern. In response, Charie said that he would try to retrieve the damaged system. The other nine systems were integrated (three each) into three MCE systems, two of which will likely be resold to clients outside of France (he would not say to which countries) and he is negotiating with the French Army for purchase of the third. (Note: At one point, Charie used the past tense, as if two of the units had already been "sold", but then he back-tracked and said "will likely be sold" after Emboff told him that reselling was illegal without USG permission. End note.)

111. (SBU) Emboff explained to Charie at this point that he must get written approval from the USG before any units can legally be resold and gave him the website address and ITAR Section 123.9(c) reference. Charie seemed to be in a rush to resell the units and gave Emboff the sense that he would perhaps not wait for a license review process that he felt would take well over a month. Emboff suspected that he may have already sold two of the robotic units with three BEI Systron systems each and immediately reported her suspicions to PM/DTCC. Charie mentioned that he wrote to the USG in 2003 asking the general question if these units could be resold and still had not heard back. Emboff asked for a copy of that letter, in order to expedite/track a response. Charie promised to fax it, but he has never produced the letter. Since Charie was becoming increasingly uncooperative, Emboff suggested to PM/DTCC the possibility of raising the case with GOF officials and gaining their trust and cooperation by sharing as many details as possible about the case.

112. (SBU) A short time later, Emboff received a phone message from Charie's Paris-based business associate, Mr. Rouvet, who spoke English and offered to be the primary interlocutor for MCE with respect to procedural steps to obtain USG agreement for resale of the equipment. Emboff emailed Rouvet detailed information about applicable USG laws and procedures, including citations from ITAR Section 123.9(c) which delineated how to

request USG permission to retransfer licensed items. In the meantime, PM/DTCC asked Emboff to wait before contacting the GOF until the bureau could produce talking points.

113. (SBU) On October 7, 2004, after confirming that no retransfer request had been received at PM/DTCC, Emboff called MCE's intermediary in Paris. Mr. Rouvet explained that Mr. Charie was on vacation in Portugal, but before Charie had left he had told Rouvet that he would be sending the retransfer paperwork. When Emboff told him that Washington still had not received anything, Rouvet put in a call to Charie's secretary, who confirmed that nothing had been sent out. At that point, Rouvet promised to urge Charie to send in the required paperwork. Emboff also raised the issue of the long-overdue site visit. Rouvet said that he had spoken to Charie about our request to view the items. He repeated Charie's concern about revealing his client list and said it would be impossible or nearly impossible for an Embassy official to view the items, since they would have to be "repatriated" to MCE. Rouvet's choice of words left considerable room for the possibility that the items were no longer in France. However, he refused to say where they were, due to Charie's oft-repeated concerns.

114. (SBU) Emboff contacted PM/DTCC in early November 2004 to ask if any formal request had been received from MCE. PM/DTCC found that MCE still had not submitted any paperwork as of November 4. PM/DTCC suggested by e-mail that post approach the GOF to ask whether there had been any export record from MCE for any integrated robotic systems that they allegedly manufacture. PM/DTCC also noted, however, that such integrated robotic systems may not require licenses for export from France.

115. (SBU) In mid-November 2004, per PM/DTCC request, post Blue Lantern action officer gave details of the case to post ICE representative, who contacted French customs to attempt to track any such shipments from France.

116. (U) In December 2004, Emboff received a letter from MCE company manager Albert Charie, which was transmitted to PM/DTCC by fax and translated in ref B.

117. (U) On January 26, 2005, Mr. Charie called post Blue Lantern action officer to ask if his letter had been received. She confirmed that it had and told him that his letter was referred to PM/DTCC officials in Washington, whom he could contact directly.

118. (SBU) Since January 2005 and absent further PM/DTCC requests, post has had no further contact with Mr. Charie, Mr. Rouvet, or any other MCE official.

119. (SBU) On April 14, 2005, ICE/Paris agent spoke with a French customs agent to inquire about the case. French customs confirmed that they have an active "global" investigation of MCE on-going. After their initial investigation into possible export of integrated and/or robotic systems by MCE revealed evidence of fraud, French customs expanded the scope of their investigation into the company's business. Their investigation is broad (they used the term "global" which implied that they are looking at all MCE activities) and on-going. ICE/Paris has informed ICE headquarters in Washington of the case. However, ICE/Paris requests that Washington agencies note that a case file (number PA-03-TV-05-PA-0001) has already been opened and a formal referral to DHS/ICS, as suggested in ref A, would be redundant.

Leach